As we mark the first anniversary of the Lehman Brothers bankruptcy that brought the US and world economies to the brink of collapse, the US financial system is just as inefficient and unfair - and potentially just as unstable - as it was when Lehman collapsed on George W. Bush's watch. Despite the almost 12 trillion dollars that the American public has been led to put up through investments in, loans to and guarantees for banks and other financial firms, millions of Americans continue to lose their homes, their jobs and even their communities while wealthy Wall Street financiers continue to skim billions of dollars off a financial system largely propped up by American taxpayers. Meanwhile, massive armies of lobbyists for financial institutions have descended on Capitol Hill and the White House to prevent genuine reform of the system. The upshot is that, a year after Lehman, the power of the money lobby has allowed financiers to continue many of the same risky and lucrative practices that crashed the system, crushed people's dreams and threaten to do so again.

We do not have to tolerate these financial antics any longer. Labor unions, grass roots groups, some legislators and many citizens are working hard to make the financial system part of the solution rather than an ongoing problem facing the American people. In addition, there are economists and other analysts who are playing a role in this struggle. These analysts and financial practitioners understand many of the steps required to create a productive and fair financial system. But their ideas have not been widely disseminated among the public or gotten a fair hearing by the Obama Administration or on Capitol Hill.

To help shift the debate on financial reform, The Economists' Committee for Stable, Accountable, Fair and Efficient Financial Reform (SAFER) has been created to amplify these voices. SAFER will bring together these economists and other analysts to develop, present and promote major financial reforms to restructure the system in ways that will help restore economic health to American families. Among SAFER's analysts are those who have long experience studying financial matters, have worked in the financial markets, and/or have served in government agencies that regulate financial institutions and markets. (The list of participants can be found here.) They have already worked on developing solutions to many of these financial problems and continue to work on developing additional solutions for problems that are not yet well understood. SAFER plans to act as a focal point and clearing house for developing and disseminating these ideas so they can play a larger role in the debate on financial restructuring and reform.

What Went Wrong and How Can We Fix it?

The US economy has been beset by many problems in recent decades but few can deny that a key cause of the financial crisis has been a profoundly flawed system of financial regulation. This failed regulatory regime, in turn, was based on two principles: self-regulation and outsourcing. Self regulation relies on
the fox to guard the henhouse; it relies on "market discipline" by lenders and investors to limit the risks undertaken by financial institutions - a reliance that even Alan Greenspan, former Chairman of the Federal Reserve, now admits is fatally flawed. Outsourcing relies on using private, outside entities like credit-rating agencies, auditing firms and accountants to provide information to investors, and to certify that financial institutions are meeting certain standards. While self-regulation contributed to massive abuses, the massive conflicts of interest created by outsourcing to credit rating agencies like Standard and Poors falsified the information market participants need to protect themselves or their clients.

**How to Reform the System:**

We need financial reform that is simple, sensible and fair and that will:

1. Increase the transparency and accountability of financial and regulatory institutions and markets.

2. Broaden the regulatory framework to include all financial actors, markets and products, especially those that are systemically important or risky.

3. Reduce perverse and asymmetric incentives in the financial system, especially in compensation schemes, that lead managers of banks and other institutions to take excessive risks in a heads we win, tails you lose game of remuneration.

4. Reduce conflicts of interest, fraud and corruption by strengthening oversight and enforcement and limit outsourcing of regulatory responsibilities by using public entities such as public credit ratings.

5. Limit systemic risk in the financial system by increasing capital and liquidity requirements and reducing the over-all degree of leverage in the system.

6. Reconstitute a more efficient, productive and stable financial system by limiting the ability of individual institutions to become too big, complex and interdependent to fail and by taxing unproductive financial activities.

7. Protect consumers and investors by reducing the complexity of financial products, imposing standards for safety and banning products that are too dangerous and/or lacking in economic benefits.

8. Make financiers, rather than the public, pay for financial meltdowns, by improving financial resolution mechanisms and shifting the burden of financing these to the owners, managers and major creditors of financial institutions.

9. Work to stop the regulatory race to the bottom that results from regulatory arbitrage at the international level as the competition for jobs and income in their financial sectors by some jurisdictions undermines the ability of others to enforce regulatory rules and standards in their own financial markets.

10. Ensure that current decisions about financial reform and ongoing decisions about financial structure and regulation are made in the public interest rather than shaped by the narrow interests of financial institutions and their lobbyists.

To learn more about these and other ideas developed by SAFER economists, and to learn how to contact these analysts, please go to the SAFER website.